



STATISTICS

Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets (BOPCOM VM1 22/01)

Joint Thirty-Eighth (Virtual) Meeting of the IMF Committee on Balance of Payments Statistics and Eighteenth Meeting of the Advisory Expert Group on National Accounts

March 7–10, 2022

1

Outline

- **Background**
- **Issues for Discussion**
 - Travel Packages
 - Health-Related Travel
 - Taxes and Fees on Passengers' Tickets
- **Recommendations**
- **Outcomes of Consultations and Surveys**
- **Questions for Discussion**

2

Background

- GN C.7 was foreseen to be discussed during the February 2021 Committee meeting.
- Due to the close relation of travel packages (package tours) as output of tour operators (TO) with merchandising of services discussed in GN C.4, it was decided to postpone the discussion until GN C.4 is finalized.
- This topic was discussed as part of GN C.4 at the joint AEG/Committee meeting in October 2021:
 - ▶ Views were divergent on the treatment of TO output as either a new product (bundling according to *ESA 2010*) or as an intermediary service (unbundling according to *BPM6, 2008 SNA*), and it was decided that further research addressing also practical compilation issues is needed before a final decision is made.
 - ▶ This issue and the outcome based on further research should be discussed in GN C.7.
- As a follow-up of the October meeting a survey on the recording of travel packages provided by TO among European BOP and NA compilers was conducted by Eurostat in December 2021.
- Two additional topics “health related travel” and “fees and taxes on passenger tickets” are also being discussed in this GN.

Issues for Discussion: Travel Packages – Current Shortcomings and Inconsistent Treatment

- Travel packages (package tours) can play an important role in a country’s travel statistics.
- In the *BPM6/2008 SNA* travel packages are not explicitly discussed and in addition a precise definition is missing.
- However, there are clear indications in the *BPM6* (§ 10.98), *2008 SNA* (table 29.1), *International Recommendations for Tourism Statistics 2008 (IRTS 2008)* and in the *Tourism Satellite Account: Recommended Methodological Framework 2008 (TSA 2008)* that a package tour should be split into its components, implying that a TO does not produce a new distinct product.
- This view is not shared by the *ESA 2010* which stipulates that a tour operator creates a new product called a tour (§ 3.62).
- The only reasoning found for this unique treatment goes back to the previous version of the *ESA 2010 (ESA 95)* where during a National Accounts Expert Group meeting in 1996 it was argued that: “*Valuing the output of tour operators by the full expenditure by travellers is in line with the latest proposal for the classification of individual consumption by purpose (COICOP) which includes a subgroup for package holidays...*”

Issues for Discussion: Travel Packages – Arguments that Support Unbundling

- Under the bundling approach a split between transport and other travel services like accommodation would not be possible whenever the package tour is provided by a non-resident TO.
- The unbundling approach reduces the risk of bilateral discrepancies in case the TO is a non-resident and not located in the country of destination because in most cases the country of destination will record travel credits via the country where the tourist is resident.
- Unbundling enables the compiler to clearly separate domestic from cross border transaction whenever for example a resident TO is purchasing transport services provided by domestic enterprises for the package tour.
- The current *COICOP 2018* manual indicates unbundling because package tours should be dealt on a case-by-case basis with the objective of obtaining a purpose breakdown that is as precise as possible and consistent with practical considerations of data availability.
- Unbundling would also be in line with the recommendations of the *TSA 2008* and the *IRTS 2008* that are relevant for compiling travel data.

Issues for Discussion: Health-Related Travel

- Currently health-related travel is a supplementary item under the standard item “personal travel” in *BPM6* (§ 10.94).
- Medical and dental services, other health care, food, accommodation, and local transport acquired by persons traveling abroad for medical reasons.
- Two questions arise:
 - ▶ Who should be considered as “health-related travelers”?
 - ◆ Patients only?
 - ◆ Or persons accompanying patients as well?
 - ▶ What can be considered as “traveling for medical reasons”?
 - ◆ Treatment of diseases by hospitals/clinics only?
 - ◆ Or also cosmetic surgeries and stays in wellness, spa accommodations?

Issues for Discussion: Taxes and Fees on Passengers' Tickets

- *BPM6* § 10.77 states that passenger services include fares and other expenses related to carriage of passengers comprising therefore taxes and fees on passenger tickets.

This raises the question:

- Is the inclusion of taxes and fees in passenger tickets consistent with the basic principles in BOP and NA, where services and taxes are separately recorded?
 - ▶ Conceptual perspective: taxes and fees are an integral part of the ticket price and consistent with *2008 SNA* purchaser price and *BPM6* market price principle.
 - ▶ Economic perspective: the airline is not able to provide the service without paying fees and taxes.

IMF | Statistics

7

7

Recommendations

Travel Packages

- A package tour should be unbundled into its service categories, including the TO service as a fee.
- The SNA should cover package tours under "Rearrangements of transactions" and clarify that travel packages must be unbundled.
- For BOP, conceptual guidance to be provided in a separate box under travel.
- Detailed guidance to unbundle and possible data sources should be given in the compilation guide.

Health-Related Travel

- Medical reasons should follow the scope of 'health and medical care' as in *IRTS 2008*.
- The treatment of 'companions accompanying traveling patients' should indicate:
 - i. their **residence** (follow traveling patients residence)
 - ii. specify **sub-category** where their spending is included
 - option 1: health-related travel
 - option 2: other personal travel
- Inclusion of a separate paragraph that elaborates other companions' cases (e.g., education).

Taxes and Fees on Passengers' Tickets

- No change to the *BPM6* is proposed.

IMF | Statistics

8

8

Outcomes of CATT and Global Consultation

Travel Packages

- Broad support during the CATT review and the global consultation for the proposal to unbundle services included in package tours in order to:
 - a) record only resident to non-resident transactions was largely supported, as well as to
 - b) use the suggested definition of package tours according to *IRTS 2008*, and
 - c) provide additional guidance for disaggregation.

Health-Related Travel

- Large agreement in both consultations for classifying health related travel according to definitions of *IRTS 2008* to ensure consistency of standards.
- However, opinions were almost equally divided among CATT members and the contributors to the global consultation regarding whether the expenses of patients' companions should be recorded under "health related travel" or "other personal travel".

Taxes and Fees on Passengers' Tickets

- Most CATT members and participants of the global consultation agreed with the proposal to keep the existing treatment of taxes and fees on passengers' tickets as in *BPM6*.

IMF | Statistics

9

9

Outcomes of the Eurostat Survey on Package Tours

- **18 NA** and **18 BOP** compiling agencies responded
- **BOP:** The majority considers that unbundling of package tours is needed for the split of transport and other travel services; unbundling ensures that only cross border and no domestic transactions are captured in BOP; and not unbundling package tours would likely increase bilateral discrepancies.
- **NA:** The community has split views, with seven supporting unbundling, seven preferring to bundle and four undecided.
 - ▶ Pro-unbundling reasons: needed for compilation of supply-use statistics and to avoid potential double counting with other data sources like the household survey or Structural Business Statistics (SBS).
 - ▶ Pro-bundling reasons: recording of package tours based on the criteria of change of economic ownership between the tour operator and the household because the tourist pays the whole package and not the components separately and unbundling is not possible due to missing data sources and is only relevant for the tourism satellite account.
- Most BOP and NA compilers have difficulties in collecting bundled or unbundled data whenever the TO is a non-resident.
- More guidance in the revised manuals is needed to ensure a common understanding and recording.
- Some NA participants underlined the importance of having a harmonized approach between the ESA (SNA) and the BPM in the next manuals.

IMF | Statistics

10

10

Questions for Discussion

1. *Do the Committee and AEG agree that the various service components sold in a package tour should be unbundled and not be treated as a distinct product in the SNA and the BPM?*
2. *Do the Committee and AEG agree to explicitly mention unbundling of package tours under “Rearrangement of transactions” in the updated SNA and to add a box under travel in the updated BPM to provide a clearer methodological guidance supporting the unbundling of package tours?*
3. *Do the Committee and AEG share the view that the term “medical reasons” should follow the scope of “health and medical care” according to IRTS 2008?*
4. *Do the Committee and AEG agree that the residence of the patients’ companions be treated in the same way as traveling patients and a definition of “patients’ companions” be provided in the Compilation Guide?*
5. *Which of the two options (health-related travel or other personal travel) is favored by the Committee and AEG in recording travel expenses for the traveling patients’ companions?*
6. *Do the Committee and AEG agree that questions with regard to the treatment of companions of education-related travelers (similar to the questions on health-related travel) be added to the list of issues for clarification?*
7. *Do the Committee and AEG agree with the proposal not to change the BPM6 with regard to the treatment of taxes and fees on passengers’ tickets?*